

**Statement by  
Ann M. Veneman  
Secretary of Agriculture  
Before the House Committee on the Budget  
U.S. House of Representatives  
March 6, 2002**

Mr. Chairman, Members of the Committee, it is an honor for me to appear before you to discuss the fiscal year 2003 budget for the Department of Agriculture (USDA). I have with me today Deputy Secretary Jim Moseley, our Chief Economist, Keith Collins, and our Budget Officer, Steve Dewhurst.

I want to thank the Committee again this year for its support of USDA programs and for the long history of effective cooperation between this Committee and the Department in support of American agriculture. I look forward to working with you, Mr. Chairman, and all the Members of the Committee during the 2003 budget process.

As you know, the President's Budget was released on February 4<sup>th</sup>. Total USDA outlays for 2003 are estimated to be \$74.4 billion. This is an increase of \$11.1 billion above the level requested in 2002, and it is only slightly below the 2002 enacted level.

The Department is addressing the Nation's new priorities in light of the September 11 events in a fiscally responsible manner. This requires recognizing our priorities and making difficult funding decisions. I can assure you that USDA has done just that in preparing its 2003 budget proposals.

We have also taken actions to assure that the \$328 million of emergency supplemental funds made available to USDA for security needs in 2002 will be invested in ways to meet high priorities, particularly to improve USDA's biosecurity operations for the long term. We are working closely with the Office of Homeland

Security and we have established a USDA Homeland Security Council to coordinate our security efforts and track progress in using those funds to ensure that priority needs are met. The Council will play a significant role in establishing the final plans for use of those funds.

For 2003, this budget supports the Administration's principles for the 21<sup>st</sup> Century as stated in our report: Food and Agricultural Policy: Taking Stock for the New Century, issued last fall. Specifically, the budget does the following:

- Ensures that the new Farm Bill will be generously funded by providing an additional \$73.5 billion in mandatory funding over the 2002-2011 period to develop sound policies for farm commodity and income support, conservation, trade, food assistance, research, and other programs.
- Supports the Administration's goal of opening new markets overseas and expanding U.S. agricultural exports by providing over \$6 billion in export program support.
- Provides the largest increase ever for the Special Supplemental Nutrition Program for Women, Infants and Children (WIC) thereby supporting 7.8 million program participants.
- Provides support for over 20 million food stamp participants including legislation to allow more legal immigrants to participate and other changes to simplify complex rules, support working families and improve program delivery.

- Protects agriculture and our food supply from potential threats -- intentional or unintentional -- and requests more than \$146 million in new spending for food safety, pest and animal disease prevention, and research.
- Improves the Department's management of its delivery of programs.
- Improves the stewardship of our soil, water and forests by making more resources available for conservation uses with less money spent for overhead expenses.
- Maintains funding to support loans, grants, and technical assistance to address a diversity of rural development needs including financing electric and telecommunications systems, water and waste disposal systems, rural housing, and business and industry.

With this as an overview, I would now like to discuss the details of our budget proposals for each of the Department's mission areas.

## **FARM AND FOREIGN AGRICULTURAL SERVICES**

The farm sector in recent years has experienced lower market returns for several major commodities and losses from various disease, pest and other natural disaster-related causes. Supplemental assistance has been enacted to prevent farm income declines. While the situation is improving for some commodities, market returns in other areas of the farm economy are still low. The President's budget for 2003 provides for an additional \$73.5 billion in direct spending over the 2002-2011 period to fund new legislation to replace the expiring 1996 Farm Bill. This level is consistent with amounts contained in the Congressional Budget Resolution. We

will work with Congress to develop a bill which contains sound policy consistent with the principles we have laid out for 21<sup>st</sup> Century agriculture.

The new Farm Bill should be generous but affordable. It should provide a reasonable safety net without encouraging overproduction and depressing prices, establish farm savings accounts to help manage risk, support our commitment to open trade, offer incentives for good conservation practices on working lands, and enhance nutrition programs.

### International Trade

In conjunction with the new Farm Bill, it is essential that we also lower trade barriers and open new markets overseas since trade is critical to the long-term health and prosperity of the American agricultural sector. Enhancing the competitiveness of U.S. agriculture in the world marketplace must also be one of the primary objectives of our farm policy.

One of the most important strategies for enhancing trade is continuing the liberalization of global agricultural trade. America's farmers and ranchers stand to gain a great deal from further trade reform through increased access to markets overseas and a reduction in unfair competition in those markets.

The new round of multilateral trade negotiations is at the center of our trade liberalization efforts. Our agenda for agricultural reform negotiations includes substantial reductions in tariffs and increased market access, elimination of export subsidies, reform of State trading enterprises, and tighter rules on trade-distorting domestic support.

We also are pursuing trade liberalization through both regional and bilateral negotiations, and we are closely monitoring existing trade agreements to ensure that our trading partners comply fully with the terms of those agreements and do not institute technical barriers to trade that run counter to their spirit.

Another strategy laid out in our review of 21<sup>st</sup> Century agriculture is ensuring we have the proper tools needed to expand exports in an increasingly competitive environment. This starts with the granting of Trade Promotion Authority (TPA) to the President so that we can demonstrate to our trading partners that the United States is serious in our pursuit of free trade objectives and in our negotiating proposals. We urge the Congress to enact this important legislation early this year. We also very much want to work with the Congress to craft provisions of the trade title of the new Farm Bill so that they are consistent with the principles we have established for 21<sup>st</sup> Century agriculture.

Our work in the international area begins with the Foreign Agricultural Service (FAS), the Department's lead agency in implementing many of our international activities, and which plays an absolutely critical role in our trade expansion efforts. For 2003, the budget provides \$140 million for FAS, an increase of \$10 million above the 2002 level. Included in the FAS request is much-needed funding to support an e-Government initiative that will upgrade the agency's information technology (IT) resources and capabilities, and modernize its business practices and operations. Over the last year, FAS has faced a series of computer-related crises that have threatened to cripple agency operations and communications. This is a particularly serious problem for an agency that has offices throughout the world and must work closely on a daily basis with many different agencies, such as the State Department and Office of the U.S. Trade Representative.

The FAS proposals also include increased funding for the Cochran Fellowship Program. This is a highly successful program that has provided training and helped to establish positive linkages with many agriculture officials throughout the world. The additional funding will expand programming in a number of important areas, including biotechnology, food safety, and World Trade Organization accession requirements.

Another key to having the proper trade expansion tools is to ensure adequate funding for the Department's export promotion and market development programs, which our budget proposals are designed to do. For the CCC export credit guarantee programs, the largest of our export programs, the budget includes a program level of \$4.2 billion. This is an increase of \$300 million above the projected 2002 level, reflecting continued very strong growth in the supplier credit guarantee program. For the Foreign Market Development (Cooperator) Program, Market Access Program, and Quality Samples Program, the budget includes a total program level of \$120 million, unchanged from this year's level, and \$63 million for the Dairy Export Incentive Program, a slight increase over the current estimate for 2002.

As the Committee is aware, the Administration has undertaken a review of U.S. foreign food assistance activities in order to reform and rationalize their implementation and to strengthen their effectiveness. Among the results of that review is the decision to provide a more secure and predictable foundation for our overseas food aid activities by reducing their reliance on the year-to-year availability of surplus commodities. At the same time, these activities will largely be funded through discretionary sources, subject to Congressional review and approval, and with reduced reliance on mandatory CCC funding. Accordingly, the budget provides increased funding for food aid donations under the P.L. 480 Title II program, while donations of commodities under section 416(b) authority that rely

on the purchase of surplus commodities by CCC will not be continued in 2003. The budget includes a total program level of \$1.35 billion for P.L. 480 in 2003. Based on current price estimates, total commodity shipments under P.L. 480 programs in 2003 should reach 3.7 million metric tons.

### Farm Program Delivery

Farm Service Agency (FSA) salaries and expenses are funded at \$1.3 billion in 2003. This would support continuation of staffing levels at the current 2002 levels of about 5,800 Federal staff years and 11,250 county non-Federal staff years, including about 2,000 temporary staff years. We expect the workload for FSA to remain relatively heavy in 2002 and 2003.

In order to help FSA meet this workload challenge, improve service to farmers and enhance operating efficiency, the budget provides increased funding of \$56 million for FSA's information technology efforts related to the Service Center Modernization Initiative. This includes an acceleration of geographic information systems and other common computing environment initiatives to help move the delivery system into the e-Government era. The budget presents these funds as well as funds for the other Service Center agencies under the Common Computing Environment appropriation to ensure that these activities are well coordinated.

Management initiatives to modernize farm credit program servicing activities and to review the Service Center office processes and structure of FSA, Natural Resources Conservation Service (NRCS) and Rural Development (RD) will also be undertaken in an effort to improve our ability to provide services at less cost.

## Credit

We have also included in the budget a program level of about \$4 billion in farm credit programs to assure that farmers have access, when necessary, to Federally-supported operating, ownership, and emergency credit. No additional funding is being requested for the emergency loan program. Based on current estimates, the budget assumes that carry-over funding in the emergency loan program will be sufficient to meet demand in 2003.

## Crop Insurance

The budget for this mission area also includes full funding for the crop insurance program. The budget includes such sums as necessary to meet producers demand for the program given that participation in the program is voluntary on the part of producers. The program is delivered by private insurance companies, and the Federal Government reimburses the companies for their delivery costs. The companies also receive underwriting gains on policies for which they retain the risk of loss. In 2000, Congress substantially reformed the crop insurance program, in part, by providing for substantial increases in the premium subsidy available to producers, especially at higher levels of coverage. As a result, participation in the program increased substantially. With the increase in business, private insurance companies have received a windfall as underwriting gains have increased about 400 percent from the levels of the early 1990s. This budget includes proposed legislation which would cap underwriting gains at 12.5 percent of the retained premium.



## **MARKETING AND REGULATORY PROGRAMS**

Marketing and Regulatory Programs agencies provide basic infrastructure to protect and improve agricultural market competitiveness for the benefit of both consumers and U.S. producers.

### Pests and Diseases

Helping protect the health of animal and plant resources from inadvertent, as well as intentional pest and disease threats from terrorists, is the primary responsibility of the Animal and Plant Health Inspection Service (APHIS). The importance of this responsibility was recognized by the inclusion of \$119 million specifically for APHIS in the Homeland Security Supplemental funding for 2002. These funds will be used to: improve effective border protection, in part through the purchase of equipment and the hiring of anti-smuggling personnel; work with the States to expand survey efforts for plant and animal pest and disease detection; and meet enhanced building security and other needs. Of the total, \$14 million will be used to relocate certain biohazard laboratory facilities to a facility on the National Veterinary Services Laboratories campus in Ames, Iowa.

For 2003, we are requesting a net increase of about \$120 million over the regular 2002 appropriation for APHIS salaries and expenses which consists of over \$262 million in increases partially offset by \$142 million in decreases. While we have successfully kept foot-and-mouth disease and bovine spongiform encephalopathy (BSE) out of the United States, our inspectors remain highly vigilant, in part, because of bioterrorist threats. The \$1.1 billion 2003 budget request for APHIS reflects continued and enhanced efforts to protect U.S. agriculture at the borders, and also to promptly detect and respond to a pest or disease outbreak, among other activities. An increase in total program level of

about \$19 million is devoted to enhance Agricultural Quarantine Inspection, and an increase of another \$48 million is devoted to enhanced monitoring and surveillance for pest and disease outbreaks.

Once detected, prompt eradication of an outbreak is essential to limit damages and reduce overall control costs. The 2003 budget requests \$162 million in appropriations to continue funding several eradication programs that had been started with funds transferred from CCC. Such continuing activities can no longer be considered “emergencies.” These funds will be used to combat species such as the Asian Long-horned Beetle, citrus canker, Mediterranean fruit fly, chronic wasting disease, plum pox, rabies, scrapie, and tuberculosis. For any new emergency pest and disease outbreak, our legal authority to use CCC funding would be relied upon. However, the Administration is concerned about rising Federal costs of emergency pest and disease control and expects to seek public comment on flexible criteria to share the financial burden with cooperators who receive benefits from program activities.

### Marketing

Another important proposal in this area involves the Grain Inspection, Packers and Stockyards Administration (GIPSA). The budget includes a total program funding level of \$43 million to help ensure efficient market functioning. Included within this total is about \$2 million being requested for improved enforcement of anti-competitive laws and monitoring the use of new technologies to evaluate livestock carcasses. Another \$450,000 is requested to expand the newly established biotechnology program to keep pace with the rapid introduction of new products and the need for commodity certifications. A further \$3.4 million is requested to enhance the ability of GIPSA to electronically provide and receive data and information. The GIPSA budget also proposes user fees to recover costs of the

U.S. grain standards program, as well as license fees to recover costs of the Packers and Stockyards program.

For the Agricultural Marketing Service (AMS) the budget includes an increase of \$1 million to expand international market news reporting in Central America, South America, and Asia and increase the availability of accurate, timely, and unbiased international market information. This type of real time market information is required for American producers to be competitive in a global economy. The budget also requests an increase of \$1.6 million to implement improvements to the Pesticide Data Program and the Federal Seed Act Program. Improvements to the program infrastructure for these programs are necessary to ensure effective delivery of program services to American agriculture.

## **FOOD SAFETY**

A safe food supply is one of the foundations of a successful food and agricultural system. As we have witnessed, highly publicized outbreaks of foodborne illness have demonstrated how important safeguarding public health is to both consumers and producers. And, with the threat of terrorism, we must be even more vigilant in safeguarding the Nation's food supply. USDA plays a critical role in safeguarding the food supply and its policies have contributed to the recent decline in pathogenic contamination of meat and poultry products. This Administration believes that continued investment in the food safety infrastructure is necessary to ensure that the appropriate personnel, tools, and information are available to address the emerging food safety hazards that threaten public health and the viability of our agricultural system. Therefore, the budget includes record funding for the Food Safety and Inspection Service (FSIS).

For 2003, the budget proposes \$804 million, an increase of about \$28 million over the 2002 current estimate. Funds are requested to cover the costs of Federal inspection and for maintaining Federal support of State inspection programs. This includes resources necessary to maintain approximately 7,600 meat and poultry inspectors which will ensure the uninterrupted provision of inspection services.

In addition, the budget requests an increase of \$14.5 million to improve FSIS' information technology infrastructure. FSIS' existing, disparate information systems will be replaced by a new system with enhanced data sharing capabilities. Upgrading these important information systems will lead to improved science-based decision-making for risk assessment and risk management functions, as well as improved resource management.

The budget also requests an increase of \$2.7 million to conduct slaughter epidemiological surveys and risk prevention activities for small and very small establishments. These surveys will improve the quantity and quality of data available to FSIS for use in evaluating the effectiveness of inspection strategies to detect animal disease outbreaks and the food safety guidelines to limit the impact of those outbreaks.

The 2003 budget includes a commitment to review the current overtime fee structure for meat, poultry, and egg products inspection, including an analysis of the manner in which fees are assessed and the underlying statutory basis for those fees. There is no budget impact in 2003 as a result of this action, however, the analysis of the current fee structure will begin immediately. The budget also proposed a new annual licensing fee that will make funds available, beginning in FY 2004 and in subsequent years, to invest in food safety inspection technology and other Federal programs that directly benefit the industry.

## **FOOD, NUTRITION, AND CONSUMER SERVICES**

The budget includes \$41.9 billion for USDA's domestic nutrition assistance programs, the highest request ever, targeted to help Americans in need. This request reflects our commitment to the nutritional safety net, and to helping participants find and retain jobs, and move toward economic self-sufficiency.

A major component of the nutrition safety net is the Special Supplemental Nutrition Program for Women, Infants and Children (WIC). The budget requests a record level of \$4.8 billion for WIC, almost 10 percent above the 2002 appropriation. The request funds average annual participation of about 7.8 million participants, and it provides an additional \$150 million contingency reserve should additional demand for WIC appear. This request reflects the growing demand for WIC and it also reflects a firm commitment by this Administration to ensure that resources are directed to programs that make a real difference in peoples lives. WIC is just such a program. Ensuring funding for WIC is one of our major priorities and is critical to the Administration's goal of guaranteeing stable funding for this important program.

The Food Stamp Program is funded at \$26.2 billion, an increase of almost \$3.2 billion above the 2002 level. The increase would cover a projected 2 percent increase in food costs with average participation of about 20.6 million people. This is an increase of about 2 million participants over the most current month reported, November 2001. The request also includes a \$2 billion contingency reserve, in case it is needed to support a higher than expected level of participation.

Also of great importance is reauthorization of the Food Stamp Program. The budget contains several legislative proposals for food stamps that are consistent

with the principles we have laid out for 21<sup>st</sup> Century agriculture. These proposals would:

- Allow legal immigrants who have resided in the U.S. for 5 years or more to apply for food stamps. This is consistent with welfare reform as it would bring the Food Stamp Program into conformity with other public assistance programs such as Medicaid and the Temporary Assistance for Needy Families programs that work in concert together at the local level. This change provides a nutritional safety net for these legal immigrants while maintaining requirements that they look first to their earnings, resources and the support of their sponsors to meet their needs.
- Index the standard deduction to a percentage of poverty, so it adjusts both to reflect household size and changes in living costs. This, along with standardized medical and dependent care deductions (and several other program simplifications) will allow States to focus more on helping households get back on their feet, and less on complex and error-prone details.
- Exempt one vehicle per work-able household member from being counted as an asset to facilitate participant efforts to seek and retain employment.
- Eliminate the requirement that 80 percent of the Employment and Training funds going to childless unemployed adults so that States can more flexibly direct these resources to help those most likely to use them.
- Reform the Quality Control System to focus on recurrent error problems. Although error rates are at their lowest level ever, States issued nearly \$1.3 billion in overpayments and underpaid eligible households by nearly

\$460 million. This is just too high. The proposed changes would allow States to receive meaningful incentive awards for good performance and only sanction States with two consecutive years of error rates exceeding the 75<sup>th</sup> percentile for all States. Enactment of these changes will help all stakeholders to strive for even better performance.

The Child Nutrition Programs are budgeted under current law at \$10.6 billion. The request anticipates an increase of about 2 percent in food costs, growth in the programs due to the increased number of school aged and younger children, and some expansion in the breakfast and child care food programs. Program integrity will continue to be a focus for these programs, not only to ensure the proper allocation of Child Nutrition funds, but also because far larger sums of Federal and State education money are targeted to low-income schools based on free and reduced price lunch data.

## **NATURAL RESOURCES AND ENVIRONMENT**

The Natural Resources and Environment mission area promotes conservation and sustainable use of natural resources on the Nation's private lands through education, technical and financial assistance. The mission area is also responsible for meeting public demands for recreation, timber and other goods and services through management of approximately 192 million acres of National Forests and grasslands. The budget includes approximately \$6 billion in budget authority for the Natural Resources and Environment agencies.

The importance of conservation programs has grown well beyond their historical purpose of protecting productive topsoil for the purpose of food production. We are now realizing the significance of agriculture's impact on other areas of the environment such as water quality. In addition, public awareness and concern for

the Nation's natural resources have continued to grow as we gain a better scientific understanding of soil and related resource problems and how best to address them. The 2003 budget request in the conservation area recognizes these developments, as well as the need to protect the conservation partnership that has evolved over the years between the Department and conservation districts and farmers.

The budget request for the Natural Resources Conservation Service (NRCS) for 2003 proposes \$1.2 billion in appropriated funding, and assumes \$1.0 billion in mandatory funding for the Environmental Quality Incentive Program (EQIP) within the Commodity Credit Corporation (CCC) baseline, including estimated spending in the new Farm Bill. The appropriated request includes \$787 million for conservation technical assistance (CTA) which represents the foundation of the Department's conservation partnership, as well as the primary means by which the Department implements many of the critical natural resource programs such as the Conservation Reserve Program (CRP) and the conservation initiatives that will be called for in the new Farm Bill.

Addressing the problems associated with polluted runoff from animal feeding operations (AFOs) remains one of the most critical challenges and continues to be a high priority within the Department. To help AFO operators develop and implement nutrient management plans, NRCS will increase the level of technical assistance funding in 2003. Financial assistance that AFO operators might need to implement the plans will come from the EQIP.

The Department's 2003 budget request maintains funding for the 348 Resource Conservation and Development (RC&D) areas now authorized and will also be sufficient to support any new areas authorized in 2002. The ongoing program will continue to improve State and local leadership capabilities in planning, developing and carrying out resource conservation programs.



While maintaining and strengthening those conservation programs and activities that are vital to a healthy natural environment, the 2003 budget ceases funding those programs that have not performed well, that have a limited scope, or that have goals that can be better addressed through other programs. The Forestry Incentives Program falls in this general category and is not to be continued. In addition, all non-emergency watershed planning and operations funding will be redirected to other higher priority work within NRCS. Although support for regular watershed operations and planning is being terminated, the 2003 budget does propose to fund the Emergency Watershed Protection (EWP) program at an appropriated level of \$111 million, which is an amount equal to the 10-year average for EWP spending. This would provide an important level of security to rural areas in the event of sudden and unforeseen natural disasters, and would enable the Department to respond to these disasters in a much more timely manner.

Under the Common Computing Environment budget an increase of \$13 million is included for NRCS activities for telecommunications costs, GIS implementation, cyber-security initiatives and enhanced access for customers.

The budget requests almost \$4.9 billion in budget authority for the Forest Service (FS). The budget includes management reforms to increase resources directed to the field to achieve more on-the-ground work, continues the Administration's commitment to the National Fire Plan, and emphasizes tangible contributions toward sustainable resource management.

To ensure that the public gets the most value for its tax dollars, the Forest Service will become more efficient and streamline to increase funding at the field level, and continue to improve agency accountability. FS has developed an initial workforce restructuring plan that includes significant management reforms which will reduce layers of supervision and administrative support.

The Department recognizes the importance of the continued implementation of the National Fire Plan. The budget includes approximately \$1.5 billion in funding for the National Fire Plan. The budget maintains funding for priority activities and is faithful to commitments made to increase efforts to fight wildfires, reduce the risk of fire, and assist communities, and includes approximately \$235 million for hazardous fuels reduction; \$627 million for fire preparedness; and \$443 million for fire suppression activities.

Funding for the National Forest System is increased \$36 million. This includes an additional \$15 million to expedite endangered species consultations, \$5 million to assist in implementation of the National Energy Plan, and \$7 million to expand recreation, heritage and wilderness management.

State and Private Forestry programs are funded at approximately \$282 million. This includes a new \$12 million emerging pest and pathogen fund to respond to new introductions of non-native or invasive pests or pathogen. In addition, the budget includes full funding of the Forest Service portion of the Land and Water Conservation Fund (LWCF), including an additional \$5 million in the Forest Legacy program to protect against the loss of forests from development.

The Forest Research budget is proposed at \$254 million. This includes an additional \$5 million for biobased products and bioenergy research and an increase of \$20 million to fully implement the Forest Inventory and Analysis program to provide timely information on the status and trends of the Nation's forest resource conditions.

## **RURAL DEVELOPMENT**

The Administration's principles for rural development are to recognize the diversity of rural America and the importance of the nonfarm economy to rural communities; to create an environment that will be attractive to private investors to rural areas, encourage greater education and technical skills for rural residents, and capitalize on rural America's natural resource base; to protect lives and property against certain hazards, such as forest fires; to expand rural infrastructure, and to serve as a coordinator among the various levels of Government and private sector stakeholders in rural development activities.

USDA's rural development mission area has the primary responsibility for administering programs to meet these principles. The 2003 budget includes over \$1.9 billion in budget authority for rural development programs that would provide almost \$11 billion in loans, grants and technical assistance for a variety of purposes, including the financing of electric generation and distribution systems, telecommunications, water and waste disposal and other essential community facilities, rural housing, and business and industry. The 2003 budget also includes a request for about \$685 million for the administrative expenses for these programs.

The total amount of budget authority for Rural Development is \$2.6 billion, which is approximately at the 2002 enacted level. However, the budgetary resources have been realigned so that the 2003 budget allows USDA to efficiently and effectively meet the needs of rural America. Most programs are funded at approximately the 2002 enacted levels. About 60 percent of the program decreases are due to reductions in demand. The 2003 budget also reflects the annual changes in subsidy rates due to different technical and economic assumptions. Funding for Round II Rural Empowerment Zones and Enterprise Communities Grants and Multifamily Housing loans for new construction has not been requested.

The telecommunication programs are funded at program levels of \$495 million in direct loans for the regular programs, \$50 million in direct loans and about \$25 million in grants for the distance learning and medical link program, and \$80 million in direct loans and \$2 million in grants for the broadband and internet services program. These are the same levels as appropriated for 2002 except for distance learning and medical link direct loans, and broadband and internet services grants. For the past few years, USDA has requested and received program level funding for \$300 million in direct loans for the distance learning and medical link program. Unfortunately, there have been very few applicants because potential applicants are more interested in the grant program. The reduced level of funding for 2003 is expected to fulfill actual demand.

As for broadband and internet services, the program was established on a pilot basis in 2001. The \$2 million in program level funding available for grants in that year was targeted to a few small communities that could not qualify for loans due to a lack of repayment ability. While there is no lack of demand for grants for this purpose, the Department believes that communities should bear a substantial portion of the cost of such services, which means the program should focus on loans rather than grants, as reflected in the budget request for 2003. Further, the Department is again proposing that no funding be provided for Rural Telephone Bank (RTB) loans. The RTB is fully capable of obtaining funds to make loans through commercial channels which would encourage privatization.

The water and waste disposal program would be funded at a level of \$814 million in direct loans, \$75 million in guaranteed loans and \$587 million in grants -- the same as appropriated for 2002. This program provides safe drinking water and waste disposal for rural residents and encourages business and industry to locate in rural areas which means more jobs and a more diversified rural economy.

The business and industry guaranteed loan program is funded at a program level of \$733 million. This is the same amount that will be available from the 2002 appropriations.

The single family program levels for 2003 would support \$957 million in direct loans and nearly \$2.8 billion in guaranteed loans -- enough to provide about 50,000 homeownership opportunities.

The rural rental housing program would be limited to a program level of \$60 million in direct loans for repair and rehabilitation and related purposes and \$100 million in guaranteed loans for either new construction or repair and rehabilitation. The Department is concerned about the substantial cost to the Government for rental assistance payments to support its existing portfolio of about 17,800 existing projects. These projects have an outstanding balance owed of close to \$12 billion. Many of these projects are over 20 years old and in need of repair or rehabilitation. The Department has already initiated a review of alternatives for servicing the portfolio. This review will also consider options for making loans for new projects at less cost to the Government.

## **RESEARCH, EDUCATION, AND ECONOMICS**

To maintain the unparalleled success of U.S. agriculture, it will be necessary to make investments in research, education, and economics as new challenges confront the agricultural sector. Continuing to provide a secure food supply and maintaining and strengthening U.S. farmers' competitive advantage in world markets within a restrained budget will require a close assessment of priorities.

The 2003 budget for this mission area totals \$2.3 billion. For ongoing programs, there is an overall net increase of \$15 million. There are increases for

critical intramural and grant programs, decreases for less critical projects -- many of which were specific congressional earmarks for projects that could be funded through competitive programs -- and a reduction of \$102 million in the Agricultural Research Service (ARS) buildings and facilities account following the large appropriations in 2002.

The 2003 budget for ongoing research and information activities in ARS is \$1,014 million, a net increase of 3 percent above the 2002 enacted level. The budget includes an increase of \$13 million for emerging, reemerging, and exotic plant and animal diseases, such as BSE and Food and Mouth Disease (FMD), to protect the U.S. food supply and increase the product longevity and market quality of agricultural commodities; an increase of \$9 million for biobased products and bioenergy from agricultural commodities, two initiatives that are supported by the President's national energy policy; an increase of \$6.5 million for global climate change to improve our understanding of carbon sequestration and support other aspects of the Administration's climate change research initiative; an increase of \$5.0 million to develop advanced pathogen detection capabilities needed for homeland security; and several other critical initiatives.

We are pleased that Congress has responded positively to the urgent need for a modern animal health facility in Ames, Iowa with combined appropriations of \$113 million in the regular and supplemental appropriations acts in 2001 and 2002. In this regard, we are in the process of preparing a report at the request of the Appropriations Committees on our estimates of costs for the entire project, the planned construction schedule, and our plans for managing this major, multiagency undertaking.

The 2003 budget proposal for the Cooperative State Research, Education, and Extension Service is just over \$1 billion. The National Research Initiative (NRI) is

funded at \$240 million, representing an increase of \$120 million from 2002. The Federal Government plays a unique role in its support of the basic research needed to maintain the technology-based competitive advantages we currently enjoy in so many segments of the economy. In recent years, there have been especially large increases in Federal commitments for research in support of medicine and national defense. Unfortunately, commitments for agricultural research have not kept pace and opportunities to take advantage of some of the Nation's best university-based scientific talent are being lost. The budget proposal for the NRI will enhance agriculture as a scientific discipline; it will provide opportunities to partner with other Federal agencies and bring an agricultural perspective to topics of mutual interest; and it will make a contribution towards encouraging and training the next generation of agricultural scientists. Formula-based programs for research and extension are continued at the 2002 level, and the budget provides an increase of \$2.4 million for higher education programs.

The 2003 budget for the Economic Research Service (ERS) is \$82 million which supports the ongoing program of work and provides increases for two initiatives. An increase of \$2.7 million will support the ERS share of the joint effort with the National Agricultural Statistics Service (NASS) to improve the Agricultural Resources Management Survey, known as ARMS, generating more dependable and statistically defensible results and making results available through web-based dissemination. This national survey of farms provides data and analysis to characterize the economic conditions and rapidly changing structure of the agricultural sector. ARMS is the primary source of information about the financial condition, production practices, use of resources, and economic well being of America's farmers. As the principal source of data, ARMS makes it possible for ERS to answer key questions from USDA policy officials, Congress, Executive Branch officials, and other decision makers about the differential impacts of alternative policies and programs across the farm sector and among farm families.

An increase of \$2 million will support the second initiative on the effects of invasive pests and diseases on the competitiveness of U.S. agriculture. The results of this initiative will provide information that can be used to help guide resource allocation for efforts to exclude and control invasive species. A major portion of this work will be to assess cost effective means of the public sector in reducing economic risks to U. S. agriculture from invasive species while preserving economic gains from trade and travel.

The budget for NASS is \$149 million which includes an increase for four initiatives. An increase of \$15.5 million is requested for the cyclical change in statistical activities associated with conducting the 2002 Census of Agriculture, with 2003 being the peak in the 5-year cycle. NASS's portion of the initiative to improve ARMS is \$4.6 million. In addition to improvements discussed previously, this funding will support research efficiencies to integrate the ARMS program with other data collection efforts. The NASS request also includes about \$5 million in increases for additional computer security, for development costs to move to electronic collection of data, and for development of an annual locality based county/small area estimation program to provide statistical data below the State level.

## **DEPARTMENTAL MANAGEMENT**

The Departmental staff offices provide leadership, coordination and support for all administrative and policy functions of the Department. These offices are vital to USDA's success in providing effective customer service and efficient program delivery. Salaries and benefits often comprise 90 percent or more of these offices' budgets, leaving them little flexibility to reduce other expenditures needed to continue their operations. The 2003 budget proposes funding needed to ensure



that these offices maintain the staffing levels needed to provide management, leadership, oversight and coordination.

These offices also have key responsibilities related to the President's Management Agenda and other departmentwide and agency-specific management reforms, which are crucial to making the Department an efficient, effective and discrimination-free organization that delivers the best return on taxpayers' investments. The 2003 budget requests funding to achieve the following management priorities:

- As a direct result of the events of September 11, the budget request includes specific changes to increase the level of security and emergency planning for the Department.
- We will continue to streamline the Service Center agencies (FSA, NRCS and RD) to improve efficiency and customer service. We will also continue our efforts to provide electronic services to USDA customers. A key element in these plans is the completion of a common computing environment for the Service Center agencies and acceleration of our efforts to acquire and use geographic information systems.
- We will continue efforts to process employment and program civil rights complaints in the Department in a fair and timely manner and promote a working environment in which discrimination against employees or customers is not tolerated.
- We will continue to develop departmentwide administrative information systems so that decisionmakers can receive timely and reliable information on the Department's finances, people and purchases. These systems will also

make the Department's administrative operations more efficient by eliminating redundant, stove-piped and aging information systems. They are critical to the Department's ability to achieve and maintain a clean opinion on its financial statements and adequate computer security.

- We will continue to strengthen our information security program to better protect USDA's valuable information assets from intrusion and theft. We will also develop an Enterprise Architecture, which is a key planning and risk management tool for information technology investments.
- We will put more of the Department's work up for competition and increase the use of performance-based contracting to generate savings and efficiencies.
- We will continue renovations of the South Building to ensure that employees and customers have a safe and modern working environment.
- We are proposing to fund rental payments to the General Services Administration (GSA) in the budgets of agencies occupying GSA space instead of a central account in order to hold USDA managers accountable for the full cost of their programs.

The budget also provides increased funding for the Office of the Inspector General to help it address an expanding workload and provide active assistance to USDA agencies. It also provides for reengineering audit and investigative activities, streamlining operations, and increasing office efficiencies.

That concludes my statement. I look forward to working with the Committee on the 2003 budget so that we can better serve those who rely on USDA programs and services.